

### 0845 Department of Insurance

California's publicly-elected Insurance Commissioner regulates the largest insurance market in the United States, and the eighth largest insurance market in the world, with \$123 billion in direct premiums; enforces the California Insurance Code; and oversees the California Department of Insurance (CDI). The CDI acts to ensure vibrant markets where insurers keep their promises and the health and economic security of individuals, families and businesses are protected.

The CDI licenses and regulates insurance companies, agents and brokers in California. Currently, the CDI oversees and licenses approximately 1,300 insurance companies and 340,000 individuals and business entities as insurance agents, brokers, adjusters and bail agents. Additionally, the CDI receives and investigates over 250,000 consumer inquiries and complaints annually; performs examinations to ensure the financial solvency of companies; receives approximately 28,000 suspected fraudulent claim referrals annually; and works in conjunction with local, state and federal law enforcement agencies to investigate and prosecute fraudulent insurance practices.

#### 3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2012-13	2013-14	2014-15	2012-13*	2013-14*	2014-15*
10 Regulation of Insurance Companies and Insurance Producers	450.2	465.5	468.5	\$71,087	\$78,910	\$80,351
12 Consumer Protection	308.8	325.0	343.5	49,233	51,408	54,033
20 Fraud Control	273.5	286.3	286.3	99,354	111,586	108,735
30 General Fund Tax Collection and Audits	13.5	14.0	14.0	1,753	1,940	1,951
50.01 Administration	223.4	237.0	237.0	27,652	29,478	29,491
50.02 Distributed Administration	-	-	-	-27,652	-29,478	-29,491
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>1,269.4</b>	<b>1,327.8</b>	<b>1,349.3</b>	<b>\$221,427</b>	<b>\$243,844</b>	<b>\$245,070</b>
<b>FUNDING</b>				<b>2012-13*</b>	<b>2013-14*</b>	<b>2014-15*</b>
0217 Insurance Fund				\$220,108	\$240,737	\$241,717
0890 Federal Trust Fund				710	2,857	3,103
0995 Reimbursements				609	250	250
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$221,427</b>	<b>\$243,844</b>	<b>\$245,070</b>

#### LEGAL CITATIONS AND AUTHORITY

##### PROGRAM AUTHORITY

10-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-16032, except as noted below.

12-Consumer Protection:

Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 5.1, 6, 6.3, and 6.5, Chapter 5, Article 12, Sections 1872.81, 10127.17, 10273.7, 12921.1-12921.5, 12928, and 12930.

20-Fraud Control:

Insurance Code, Division 1, Part 2, Chapter 12 (except Section 1872.81 cited above).

30-General Fund Tax Collection and Audits:

Insurance Code, Sections 1774-1780; and Revenue and Taxation Code, Part 7 of Division 2.

#### DETAILED BUDGET ADJUSTMENTS

	2013-14*			2014-15*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>Workload Budget Adjustments</b>						
<b>Workload Budget Change Proposals</b>						
• Health Care Coverage Market Reform (Chapter 1, Statutes of 2013, First Extraordinary Session)	\$-	\$-	-	\$-	\$1,011	9.0
• Electronic Notice Transmission (Chapter 369, Statutes of 2013)	-	-	-	-	773	5.0

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

	2013-14*			2014-15*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
• Community Development Financial Institution Investments (Chapter 608, Statutes of 2013)	-	-	-	-	555	5.0
• Accelerated Death Benefit (Chapter 345, Statutes of 2013)	-	-	-	-	370	3.0
• Office of Patient Advocate (Chapter 552, Statutes of 2011)	-	-	-	-	163	1.5
• Stop-Loss Insurance (Chapter 443, Statutes of 2013)	-	-	-	-	76	-
<b>Totals, Workload Budget Change Proposals</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$2,948</b>	<b>23.5</b>
<b>Other Workload Budget Adjustments</b>						
• Employee Compensation Adjustments	\$-	\$2,216	-	\$-	\$2,322	-
• Retirement Rate Adjustment	-	685	-	-	685	-
• Limited Term Positions/Expiring Programs	-	-	-	-	-1,881	-6.0
• One Time Cost Reductions	-	-	-	-	-1,026	-
• Full Year Cost of New/Expanded Programs	-	-	-	-	432	-
• Miscellaneous Adjustments	-	3,725	-	-	3,881	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$6,626</b>	<b>-</b>	<b>\$-</b>	<b>\$4,413</b>	<b>-6.0</b>
<b>Totals, Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$6,626</b>	<b>-</b>	<b>\$-</b>	<b>\$7,361</b>	<b>17.5</b>
<b>Policy Adjustments</b>						
• Principle Based Reserve	\$-	\$-	-	\$-	\$491	4.0
<b>Totals, Policy Adjustments</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$491</b>	<b>4.0</b>
<b>Totals, Budget Adjustments</b>	<b>\$-</b>	<b>\$6,626</b>	<b>-</b>	<b>\$-</b>	<b>\$7,852</b>	<b>21.5</b>

## PROGRAM DESCRIPTIONS

## 10 - REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS

The objectives of this program are to: (1) prevent losses to policyholders, beneficiaries or the public due to the insolvency of insurers; (2) prevent unlawful or unfair practices by insurers as defined by the Insurance Code; (3) ensure that insurance rates are not excessive, inadequate, unfairly discriminatory or otherwise in violation of the Insurance Code; and (4) ensure that applicants for insurance licenses, and holders of insurance licenses, satisfy and maintain the qualifications for licensure. Through the Conservation and Liquidation Office, the CDI administers the estates of insolvent and delinquent insurance companies.

## 12 - CONSUMER PROTECTION

The objectives of this program are to: (1) provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating or underwriting by insurers and (2) protect applicants and policyholders from discriminatory, unlawful or fraudulent practices or incompetence relating to the sale of insurance.

## 20 - FRAUD CONTROL

The objective of this program is to protect the public from economic loss by actively investigating, arresting and referring for prosecution or adjudication those who commit insurance fraud and other violations of the law. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.

## 30 - GENERAL FUND TAX COLLECTION AND AUDITS

This General Fund tax collection program performs tax collection, accounting and tax audits of insurance companies and surplus line brokers. The program staff audit insurers' tax returns to determine compliance with the laws contained in both the Insurance Code and Revenue and Taxation Code as well as assist the Board of Equalization and the State Controller's Office with various refund, assessment and accounting matters relative to the premium program. Tax collections from this program are deposited in the General Fund.

## 50 - ADMINISTRATION

This program provides administrative support services to the CDI including budgets, accounting, human resources, business services and information technology, as well as legislative and legal services.

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

## DETAILED EXPENDITURES BY PROGRAM

		<u>2012-13*</u>	<u>2013-14*</u>	<u>2014-15*</u>
<b>PROGRAM REQUIREMENTS</b>				
<b>10</b>	<b>REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS</b>			
	<b>State Operations:</b>			
0217	Insurance Fund	\$70,368	\$75,803	\$76,998
0890	Federal Trust Fund	710	2,857	3,103
0995	Reimbursements	9	250	250
	<b>Totals, State Operations</b>	<b>\$71,087</b>	<b>\$78,910</b>	<b>\$80,351</b>
<b>ELEMENT REQUIREMENTS</b>				
<b>10.30</b>	<b>Rate Regulation</b>	<b>\$22,428</b>	<b>\$24,748</b>	<b>\$25,819</b>
	<b>State Operations:</b>			
0217	Insurance Fund	21,709	21,641	22,466
0890	Federal Trust Fund	710	2,857	3,103
0995	Reimbursements	9	250	250
<b>10.40</b>	<b>Regulatory</b>	<b>\$16,116</b>	<b>\$22,809</b>	<b>\$23,598</b>
	<b>State Operations:</b>			
0217	Insurance Fund	16,116	22,809	23,598
<b>10.51</b>	<b>Licensing</b>	<b>\$26,677</b>	<b>\$25,888</b>	<b>\$24,913</b>
	<b>State Operations:</b>			
0217	Insurance Fund	26,677	25,888	24,913
<b>10.70</b>	<b>Special Programs</b>	<b>\$5,866</b>	<b>\$5,465</b>	<b>\$6,021</b>
	<b>State Operations:</b>			
0217	Insurance Fund	5,866	5,465	6,021
<b>PROGRAM REQUIREMENTS</b>				
<b>12</b>	<b>CONSUMER PROTECTION</b>			
	<b>State Operations:</b>			
0217	Insurance Fund	\$47,508	\$50,658	\$53,283
0995	Reimbursements	600	-	-
	<b>Totals, State Operations</b>	<b>\$48,108</b>	<b>\$50,658</b>	<b>\$53,283</b>
	<b>Local Assistance:</b>			
0217	Insurance Fund	\$1,125	\$750	\$750
	<b>Totals, Local Assistance</b>	<b>\$1,125</b>	<b>\$750</b>	<b>\$750</b>
<b>ELEMENT REQUIREMENTS</b>				
<b>12.10</b>	<b>Legal Compliance</b>	<b>\$6,891</b>	<b>\$9,195</b>	<b>\$9,698</b>
	<b>State Operations:</b>			
0217	Insurance Fund	6,891	9,195	9,698
<b>12.20</b>	<b>Investigations</b>	<b>\$16,198</b>	<b>\$15,680</b>	<b>\$15,809</b>
	<b>State Operations:</b>			
0217	Insurance Fund	15,073	14,930	15,059
	<b>Local Assistance:</b>			
0217	Insurance Fund	1,125	750	750
<b>12.30</b>	<b>Consumer Services and Market Conduct</b>	<b>\$26,144</b>	<b>\$26,533</b>	<b>\$28,526</b>
	<b>State Operations:</b>			
0217	Insurance Fund	25,544	26,533	28,526
0995	Reimbursements	600	-	-
<b>PROGRAM REQUIREMENTS</b>				
<b>20</b>	<b>FRAUD CONTROL</b>			

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

	2012-13*	2013-14*	2014-15*
<b>State Operations:</b>			
0217 Insurance Fund	\$43,821	\$48,113	\$48,094
<b>Totals, State Operations</b>	<b>\$43,821</b>	<b>\$48,113</b>	<b>\$48,094</b>
<b>Local Assistance:</b>			
0217 Insurance Fund	\$55,533	\$63,473	\$60,641
<b>Totals, Local Assistance</b>	<b>\$55,533</b>	<b>\$63,473</b>	<b>\$60,641</b>
<b>ELEMENT REQUIREMENTS</b>			
<b>20.10 Fraud - Auto</b>	<b>\$41,134</b>	<b>\$45,897</b>	<b>\$44,316</b>
<b>State Operations:</b>			
0217 Insurance Fund	19,183	22,221	22,365
<b>Local Assistance:</b>			
0217 Insurance Fund	21,951	23,676	21,951
<b>20.20 Fraud - Workers' Compensation</b>	<b>\$52,188</b>	<b>\$52,215</b>	<b>\$52,347</b>
<b>State Operations:</b>			
0217 Insurance Fund	20,318	20,341	20,473
<b>Local Assistance:</b>			
0217 Insurance Fund	31,870	31,874	31,874
<b>20.30 Fraud - General Assessment</b>	<b>\$2,323</b>	<b>\$2,460</b>	<b>\$2,476</b>
<b>State Operations:</b>			
0217 Insurance Fund	2,323	2,460	2,476
<b>20.40 Fraud - Disability and Healthcare</b>	<b>\$3,709</b>	<b>\$11,014</b>	<b>\$9,596</b>
<b>State Operations:</b>			
0217 Insurance Fund	1,997	3,091	2,780
<b>Local Assistance:</b>			
0217 Insurance Fund	1,712	7,923	6,816
<b>PROGRAM REQUIREMENTS</b>			
<b>30 GENERAL FUND TAX COLLECTION AND AUDITS</b>			
<b>State Operations:</b>			
0217 Insurance Fund	\$1,753	\$1,940	\$1,951
<b>Totals, State Operations</b>	<b>\$1,753</b>	<b>\$1,940</b>	<b>\$1,951</b>
<b>TOTALS, EXPENDITURES</b>			
State Operations	164,769	179,621	183,679
Local Assistance	56,658	64,223	61,391
<b>Totals, Expenditures</b>	<b>\$221,427</b>	<b>\$243,844</b>	<b>\$245,070</b>

## EXPENDITURES BY CATEGORY

	1 State Operations			Expenditures		
	2012-13	2013-14	2014-15	2012-13*	2013-14*	2014-15*
<b>PERSONAL SERVICES</b>						
Authorized Positions (Equals Sch. 7A)	1,269.4	1,327.8	1,321.8	\$85,070	\$92,633	\$93,311
Total Adjustments	-	-	27.5	-	1,587	3,878
<b>Net Totals, Salaries and Wages</b>	<b>1,269.4</b>	<b>1,327.8</b>	<b>1,349.3</b>	<b>\$85,070</b>	<b>\$94,220</b>	<b>\$97,189</b>
Staff Benefits	-	-	-	36,743	38,947	38,522
<b>Totals, Personal Services</b>	<b>1,269.4</b>	<b>1,327.8</b>	<b>1,349.3</b>	<b>\$121,813</b>	<b>\$133,167</b>	<b>\$135,711</b>
<b>OPERATING EXPENSES AND EQUIPMENT</b>				\$42,956	\$46,454	\$47,968
<b>TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS</b>				<b>\$164,769</b>	<b>\$179,621</b>	<b>\$183,679</b>
<b>(State Operations)</b>						

\* Dollars in thousands, except in Salary Range.

**0845 Department of Insurance - Continued**

**2 Local Assistance**

	Expenditures		
	2012-13*	2013-14*	2014-15*
Counties-District Attorneys	\$56,658	\$64,223	\$61,391
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$56,658</b>	<b>\$64,223</b>	<b>\$61,391</b>

**DETAIL OF APPROPRIATIONS AND ADJUSTMENTS**

1 STATE OPERATIONS	2012-13*	2013-14*	2014-15*
<b>0001 General Fund</b>			
APPROPRIATIONS			
011 Budget Act appropriation (Loan to the Insurance Fund)	\$-	(\$1,122)	\$-
<b>TOTALS, EXPENDITURES</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>0217 Insurance Fund</b>			
APPROPRIATIONS			
001 Budget Act appropriation	\$167,268	\$173,613	\$180,326
Allocation for employee compensation	587	2,216	-
Adjustment per Section 3.60	2,162	685	-
Adjustment per Section 3.90	-5,429	-	-
<b>Totals Available</b>	<b>\$164,588</b>	<b>\$176,514</b>	<b>\$180,326</b>
Unexpended balance, estimated savings	-1,138	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$163,450</b>	<b>\$176,514</b>	<b>\$180,326</b>
<b>0890 Federal Trust Fund</b>			
APPROPRIATIONS			
001 Budget Act appropriation	\$721	\$857	\$3,103
Budget Adjustment	-11	2,000	-
<b>TOTALS, EXPENDITURES</b>	<b>\$710</b>	<b>\$2,857</b>	<b>\$3,103</b>
<b>0995 Reimbursements</b>			
APPROPRIATIONS			
Reimbursements	\$609	\$250	\$250
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$164,769</b>	<b>\$179,621</b>	<b>\$183,679</b>
<b>2 LOCAL ASSISTANCE</b>			
<b>0217 Insurance Fund</b>			
APPROPRIATIONS			
101 Budget Act appropriation	\$57,037	\$62,498	\$61,391
Revised expenditure authority per Provision 1	-	1,725	-
<b>Totals Available</b>	<b>\$57,037</b>	<b>\$64,223</b>	<b>\$61,391</b>
Unexpended balance, estimated savings	-379	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$56,658</b>	<b>\$64,223</b>	<b>\$61,391</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$56,658</b>	<b>\$64,223</b>	<b>\$61,391</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)</b>	<b>\$221,427</b>	<b>\$243,844</b>	<b>\$245,070</b>

**FUND CONDITION STATEMENTS**

	2012-13*	2013-14*	2014-15*
<b>0217 Insurance Fund<sup>s</sup></b>			
BEGINNING BALANCE	\$36,526	\$30,384	\$13,771
Prior year adjustments	2,054	-	-
Adjusted Beginning Balance	\$38,580	\$30,384	\$13,771
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	33,911	40,450	43,232

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

	2012-13*	2013-14*	2014-15*
123200 Insurance Company Examination Fees	20,471	19,246	20,599
127100 Insurance Department Fees, Prop 103	27,296	28,017	28,879
127200 Insurance Department Fees, General	23,140	25,961	27,208
127300 Insurance Fraud Assessment, Workers Comp	50,010	49,631	52,554
127400 Insurance Fraud Assessment, Auto	48,066	48,479	49,130
127500 Insurance Fraud Assessment, General	8,146	12,321	12,564
141200 Sales of Documents	106	106	106
142500 Miscellaneous Services to the Public	12	12	12
150300 Income From Surplus Money Investments	70	70	70
161000 Escheat of Unclaimed Checks & Warrants	6	6	6
161400 Miscellaneous Revenue	343	225	225
161900 Other Revenue - Cost Recoveries	1,702	684	384
Transfers and Other Adjustments:			
FO0001 From General Fund loan per Item 0845-011-0001, Budget Act of 2013	-	1,122	-
TO3209 To Office of Patient Advocate Trust Fund Per Chapter 552, Statutes of 2011	-132	-271	-273
Total Revenues, Transfers, and Other Adjustments	\$213,147	\$226,059	\$234,696
Total Resources	\$251,727	\$256,443	\$248,467
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>			
Expenditures:			
0840 State Controller (State Operations)	122	15	-
0845 Department of Insurance			
State Operations	163,450	176,514	180,326
Local Assistance	56,658	64,223	61,391
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	913	1,146	1,156
8880 Financial Information System for California (State Operations)	830	774	144
Expenditure Adjustments:			
1690 Alfred E. Alquist Seismic Safety Commission			
Less Funding provided by General Fund (State Operations)	-630	-	-
Total Expenditures and Expenditure Adjustments	\$221,343	\$242,672	\$243,017
FUND BALANCE	\$30,384	\$13,771	\$5,450
Reserve for economic uncertainties	30,384	13,771	5,450

## CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2012-13	2013-14	2014-15	2012-13*	2013-14*	2014-15*
Totals, Authorized Positions	1,269.4	1,327.8	1,321.8	\$85,070	\$92,633	\$93,311
Salary Adjustments	-	-	-	-	1,587	1,587
<b>Workload and Administrative Adjustments:</b>				<b>Salary Range</b>		
Financial Surveillance Branch:						
Chief Actuary (Cycle III - Federal Grant)	-	-	-	10,053-11,349	-	102
Senior Life Actuary (Cycle III - Federal Grant)	-	-	-	7,667-10,482	-	272
Associate Life Actuary (Cycle III - Federal Grant)	-	-	-	7,037-9,600	-	62
<b>Total Workload &amp; Administrative Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$436</b>
<b>Proposed New Positions:</b>						
Financial Surveillance Branch:						
Senior Life Actuary	-	-	1.0	7,667-10,482	-	109
Statistical Methods Analyst III	-	-	1.0	4,611-5,770	-	62
Statistical Methods Analyst II	-	-	2.0	3,826-4,792	-	104
Legal Branch:						
Attorney I (2.0 LT positions exp 6/30/15)	-	-	3.0	4,674-8,141	-	231

\* Dollars in thousands, except in Salary Range.

**0845 Department of Insurance - Continued**

	Positions			Expenditures		
	2012-13	2013-14	2014-15	2012-13*	2013-14*	2014-15*
Temporary Help	-	-	-	4,674-8,141	-	51
Community Programs Branch:						
CEA A (1.0 LT position exp 6/30/17)	-	-	1.0	6,173-8,874	-	120
Investment Officer I (3.0 LT positions exp 6/30/17)	-	-	3.0	3,185-6,050	-	166
Office Technician (Typing) (1.0 LT position exp 6/30/17)	-	-	1.0	2,686-3,362	-	36
Administration & Licensing Services Branch:						
Staff Information Systems Analyst (1.0 LT position exp 6/30/17)	-	-	1.0	5,065-6,660	-	70
Consumer Services & Market Conduct Branch:						
Associate Insurance Rate Analyst (1.0 LT position exp 6/30/17)	-	-	2.0	4,619-6,050	-	128
Associate Insurance Compliance Officer (2.0 LT positions exp 6/30/17)	-	-	11.5	4,619-5,784	-	718
Enforcement Branch, Investigation Division:						
Special Investigator	-	-	1.0	3,902-6,076	-	60
<b>Totals Proposed New Positions</b>	<b>-</b>	<b>-</b>	<b>27.5</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,855</b>
<b>Total Adjustments</b>	<b>-</b>	<b>-</b>	<b>27.5</b>	<b>\$-</b>	<b>\$1,587</b>	<b>\$3,878</b>
<b>TOTALS, SALARIES AND WAGES</b>	<b>1,269.4</b>	<b>1,327.8</b>	<b>1,349.3</b>	<b>\$85,070</b>	<b>\$94,220</b>	<b>\$97,189</b>

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